

Dear Arbaro Investment Committee,

We appreciate the opportunity to provide comments for the environmental and social safeguards (ESS) for the three category B subprojects under Arbaro Fund (FP128) that have been made available in accordance with GCF disclosure rules.

After carefully reviewing the available information and having gathered the views and comments of civil society, representatives of locally affected communities and Indigenous Peoples, we are writing to express our concern that all subprojects are clearly indicative of the problems of projects based on tree plantations, including appropriating land with existing conflicts, reducing biodiversity and ecosystem functionality, and making highly questionable assumptions about carbon storage, climate mitigation claims and other benefits for the communities.

We note that these are ESS disclosures and not full project documents, so there is much on which we cannot comment because such information is simply not available to us. Given the investment approach, the strong commercial component that the subprojects have and the aforementioned problematic assumptions, some of the missing information is vital to have a clearer idea of, for example, the quality and quantity of employment opportunities actually planned at each site, the gender action plan for each subproject and how the assumed mitigation benefits are calculated. In this sense, we would appreciate it if Arbaro Fund as the programme implementer, with support from the accredited entity, MUFB Bank for transparent disclosure via the GCF project website, would share with us more information and disclose additional documents that might be already available and that could help our analysis of the subprojects.

We start with some overarching concerns that are cross-cutting to all subprojects – and include too some of our initial comments for FP128 submitted for GCF B.25. We believe these comments could potentially apply to future Arbaro Fund subprojects that will rely as well on the problematic idea of commercial tree plantations based on often invasive and exotic species.

Carbon storage and climate mitigation benefits

In the ESS there is no specific information about the methodology and calculations for each subproject site, and thus no way of knowing to what extent each of the subprojects could realistically contribute to the overall claimed CO₂ equivalent reduction for the entire programme. If we consider the information in the FP128 proposal, arriving to an estimated 20 million tonnes of CO₂ equivalent mitigated, as valid for all subprojects, then we would like to reiterate that every aspect of the design calls into question the ability of plantations to actually sequester carbon over the short and long-term term. Based on these subprojects' available information about the planting and harvesting, we maintain, as we did at B.25, that the methodology is fundamentally flawed and the assumed mitigation benefits are widely optimistic.

Plantations are poor carbon sinks especially when compared to natural ecosystems including native forests, peatlands and natural grasslands. They can only store a fraction of the carbon that forests and in many cases natural grasslands can, and are commonly associated with high carbon emissions from direct and indirect land use change and soil carbon depletion. In addition, carbon temporarily stored in plantation trees is released back into the atmosphere once those trees are logged, which is an intrinsic problem to land-based mitigation strategies and particularly those based on temporary commercial plantations. There is not an estimate either of the GHG emissions to be reduced or avoided through these subprojects, which require considering existing stocks of carbon in soil and biomass, the process and clearance needed for plantation establishment and then harvesting, transporting, and processing the wood products, and the fact that a proportion of the wood is very likely to either be burned, with biomass considered as a by-product (e.g., in Forestal Apepu). The highly optimistic claim in Arbaro Fund FP128 of 20 million tons of carbon dioxide equivalent to be avoided across the programme's lifetime, based on hypothetical plantation scenarios cannot be held to any scrutiny within these individual subprojects.

In addition, while the disclosure documents mention wildfires and acknowledge that these are increasing in severity and frequency, they fail to address and include mitigation measures accordingly that, overall, monoculture tree plantations are fire-prone and in particular, that Eucalyptus trees are highly flammable. It is widely acknowledged that there is a link between climate change, large-scale industrial tree plantations and forest fires that the ESS for all three subprojects largely ignore.

Reducing ecosystems functionality and driving biodiversity loss

It is well documented that commercial tree plantations are responsible for significant impacts on both ecosystem functionality and biodiversity loss within the plantations and also in the surrounding areas and in fact, they are often called 'green deserts' because they are devoid of biodiversity. Furthermore, they are associated with alterations to hydrological cycles (e.g. water sources depletion is particularly problematic in Eucalyptus plantations because they require massive amounts of water), land degradation, nutrient loss and soil erosion. These issues, and the impacts they might have on the communities living in the project affected and surrounding area, are not really addressed nor are real mitigation measures in place in the documents to avoid this from happening.

Another cross-cutting issue that is not addressed and only briefly mentioned in the Forestal San Pedro EIA is the allelopathic effect of Eucalyptus that is one of the causes of biodiversity loss. This is particularly important in this case because according to the documents, these subprojects are going to be developed within and nearby remaining native forests and different categories of protected areas.

Use of agrochemicals, pesticides and herbicides

Commercial tree plantations are managed intensively, often involving the use of agrochemicals such as herbicides and pesticides, and this is, in fact, the case for these subprojects. This will very likely have negative impacts on other species and therefore, will reduce biodiversity in areas affected by their application. These chemicals can accumulate in soil, water supplies and animal species too, and more importantly, can affect the health and well-being of plantations' workers and communities living nearby the project sites. Especially alarming is the fact that Fipronil is one of the pesticides that will be used, in this case in Forestal Apepu in Paraguay, a pesticide that has been banned for use within the European Union and is classified as moderately hazardous by the WHO, and the herbicide Glyphosate (also to be used by Apepu), which is suspected to increase risks of cancer in humans.

Yet, the management and mitigation measures to address these risks described in the different documents seem to underestimate all these risks, do not equate to standards for "good practices" and thus do not provide real mitigation measures that address risks for human health, pollution and potential breaches.

Absence of gender-lens

Industrial and commercial tree plantations have gendered impacts and women can be particularly affected by them. To name a few, female-headed households and women often lack secure land tenure and/or influence over land and forest governance which makes them particularly vulnerable to displacement and the impacts of land-conflicts often associated with plantations. Increased sexual harassment and violence against women in communities dealing with commercial plantations has been documented, too. By replacing food production, plantations also undermine local food security and community food sovereignty, a risk that has been acknowledged by the IPCC. As the main caretakers this particularly affects women.

Nonetheless, there is a lack of acknowledgment whatsoever of gender-differentiated impacts that plantations have and worse yet, the documents do not include gender responsive mitigation measures to address the gender-differentiated impacts and risks. The management plans do not take into consideration, for instance, how the subprojects plan to provide equal opportunities in terms of jobs and training for women and men. There is no mention of the GCF Gender Policy either and how the subprojects will comply with it.

Land conflicts driven by plantations

Land conflicts, displacement of communities and disturbing communities' traditional use of the land, and land-grabbing are a common phenomenon associated with commercial tree plantations. All three ESS mention ongoing and/or recent land-related problems which we dive into in the subsequent sections. It is concerning that no GCF policy relevant to this issue, such the GCF Indigenous Peoples policy, is mentioned in any of the disclosed ESS and that no explicit acknowledgement of the need and the commitment to safeguard the free, prior and informed consent (FPIC) of Indigenous Peoples and local communities is made.

Forest Stewardship Council certification

All subprojects' documents mention that the different sites and parcels already have or are seeking to obtain the FSC certification, associating being FSC certified with a guarantee of strong environmental and social safeguards in place that are being monitored and met. However, FSC certified projects have been involved in a number of problems and scandals, including conflicts with local communities, and incidents of raw materials being illegally logged and sourced. Therefore, we would suggest reconsidering the over reliance on having FSC certification as a guarantee of the well-functioning of the project and the respect for Indigenous Peoples, women and local communities' rights. Instead, the documentation needs to clearly show how full compliance with the GCF's ESP, gender and Indigenous Peoples policies is secured.

Subproject Forestal Apepu, Paraguay

This subproject aims to establish 1,855 ha of Eucalyptus plantations throughout three years with a rotating cycle of 12 years. Overall, the subproject widely disregards any of the environmental and social impacts and risks derived from these plantations, often assumes (co)benefits native forests bring along and uses misleading language such as "planted forests" to refer to commercial tree plantations. However, the only exception to plantations that the subproject contemplates are 20 ha that will be planted with the *participation* of native species to ensure the Forest Law requirement that 25% of the land remain forested is met. This means, and is stated in the ESS, that even within those 20 ha, mixed plantations with Eucalyptus will be established.

The Forestal Apepu subproject is located between the Humid Chaco and Atlantic Forest ecosystems, the latter noted as a critically endangered biodiversity hotspot within the ESS, and the Tapicuaryi river (and part of its associated springs and wetlands) also falls within the subproject area. The thousands of hectares of invasive and exotic Eucalyptus will further endanger these ecosystems, and the ESS does not contain real mitigation measures to avoid the deterioration of these ecosystems' functionality and biodiversity loss. In addition, the soil preparation processes that are needed prior to the establishment of the plantations (as described in the document), the plan to heavily use chemicals as part of the plantation's management plan (some banned in the EU for their risks on the environment and health), and the massive amounts of water that Eucalyptus

requires only add to our concerns about the devastating effects that this subproject could have. Leisure activities in the Tapicuaryi river that do not alter the natural features of the stream are allowed, and the ESS mentions how communities often use the river for these activities, which makes it even more imperative to not use chemicals in the adjacent planned plantations. The ESS also identifies two potential critical, long-term, irreversible, and of high significance impacts (gauged so by their own measures): habitat destruction and adverse impacts on natural ecosystems and biodiversity, which if properly taken into consideration, would invalidate any carbon sequestration claim.

We also noted that the ESS describes Eucalyptus as a non-invasive species partly because it claims that cloned seedlings will be used to avoid their expansion – but they are still exotic, and even if some are better adapted to the soil through the choice of varieties, their interactions with other ecosystem elements will not be that of a native species.

In regard to the plantation's management, there is little information about how the thinnings will be used and if, for instance, they could be the source for the bioenergy by-product that is mentioned in the document. Information about the activities that will take place in the project site after the first rotation cycle is also missing but assuming that a second cycle will start, we would like to know if there is already information available or an assessment about how the subproject will address, for instance, the expected loss of soil nutrients, fertility and scarcity of water and if an increase in the intensity of chemicals could be part of the measures to address these issues. Likewise, the generation of bioenergy as a by-product is included in the subproject but there is little information about it and on the emissions derived from burning biomass, how those emissions have been accounted for in the calculations and thus, in the assumed mitigation benefits.

There is little information about how these plantations will contribute to reducing demand on native forests without driving demand for wood products of indeterminate quality and sequestration potential. In this subproject, the sections on economic analysis have been redacted because they are deemed unimportant to environmental and social safeguards, yet without an understanding of where the harvested wood is entering the market, the project's full environmental impact cannot be gauged. One of the specific objectives outlined is to "produce wood in a sustainable manner for local industries" but there is no information about what industries the document refers to. In addition, the document also states that they are looking into markets for offsets, which is not part of the Arbaro Fund funding proposal that was approved at GCF B.25, and thus, as there is no way to segregate out/firewall other investors' contributions resulting in carbon market participation, this should be understood as a violation of the agreement with the GCF [any participation in these markets should immediately result in lack of support from the GCF].

The ESS mentions that there is already a history of land conflicts and Forestal Apepu has identified cases of so-called informal land uses that are being addressed but there is no information of what those particular uses are/were. Given the land-conflicts that plantations cause and worsen, there has to be more information about this and a halt any further developments until this issue has been fully addressed.

Moreover, there is key information provided by the ESS that seems old and is probably outdated. Of particular concern is the outdated spatial overlapping made by Apepu with the indigenous census from 2012 and the information of rural working women from 2011, which are not a replacement for a thorough stakeholder mapping as part of the required ESS. The stakeholder consultation, and overall, the entire document, does not provide sex-disaggregated data and does not address gender equality issues. The quantity of employment is 70 FTE directly and 100 FTE indirectly, but the duration and benefits of those jobs are not specified, nor is any attempt made to ensure local communities' priority participation and to ensure gender balance.

Subproject Forestal San Pedro Paraguay

Forest San Pedro (FSP) subproject aims to reach about 8,000 ha of Eucalyptus plantations for which the company is in the process of acquiring 6,270 ha over leased farmlands and will identify another 1,730 ha to reach the target. The documents show similar problems to those identified in the Apepu subproject in terms of underestimating environmental and social impacts and risks derived from tree plantations, the attribution of (co)benefits that come from forests but not from plantations and the use of misleading terminology such as “forest plantations” and “planted forest”.

There are different categories of protected areas within FSP sites and the different Forest Management Units (FMUs), including natural monuments, national parks and natural reserves that could easily be affected by the further expansion and new establishment of monoculture plantations.

Moreover, FSP “foresees the development of an industry to process such wood, initially planned as a sawmill that could be modified according to market needs.” The failure to elucidate these plans at this stage provides no protections against carbon loss due to downstream biomass and inferior wood products, which is not acceptable since this is seemingly the last time any sort of approval process will be undergone for these subproject investments for their duration (the next fifteen years of the GCF investment). In addition, this (potential) sawmill will be built in the acquired lands which, adjacent to the aforementioned protected areas and thus, special requirements are needed to avoid impacts and abide with regulations such as law 352/94, which includes provisions to avoid nuisances to the wildlife caused by noise and vibrations. Yet, the document fails to mention, among other things, the required adaptations that the sawmill should undergo to comply with this.

It is also mentioned that livestock related activities will not be funded by the project, but there will be silvopastoral plantations in which livestock could have an impact on, for instance, soil compaction and fertility and survival rate of seedlings. However, there is little information, and it lacks a proper assessment of what the potential impacts, risks and mitigation measures would be and reduces them to a list of recommended good practices.

There are so-called rural diagnostic studies which are carried out before the FMUs are established and meeting to present the project to the community and “explain the benefits to the community and solve any kind of doubt.” There is no mention of how the processes of free, prior and informed consent (FPIC) have been carried out with the Indigenous Peoples and communities living within and nearby the affected area, and the disclosure does not provide any information either of meaningful and effective participation of rightsholders and stakeholders in the project design. Without this information, doubts cannot be adequately resolved.

It is also mentioned that interviews were conducted as part of preparatory studies and what seems an attempt to assess the land distribution, ownership and land titling concludes that there is a situation of non-regularization in a portion of the communities surrounding the FMUs due to, among other things, lack of documents and farm overlays. All of this needs to be addressed and solved before the further implementation of the project and expansion of the plantations. As the document recognizes, this untitled occupation situation is an impediment for villagers to access the participation of certain social projects, which could further jeopardize the assumed social benefits. We note that despite the Indigenous population living in the area and the land related conflicts, there is no mention of how the subproject will abide with GCF Indigenous Peoples policy and the requirement to obtain FPIC throughout the subproject cycle.

Subproject Miro Forestry and Timber products in Ghana and Sierra Leone

In addition to the overarching comments, the first thing we would like to note is that the Miro ESIA and ESMS are all from 2014 and updated in 2018 and one in 2020. Therefore, there is no recent ESIA and ESMS based on GCF policies including the Indigenous Peoples and Gender policies.

During GCF B.25, the funding proposal discussion on the Arbaro Fund included the assertion that “legal and also customary rights are fully respected,” and they “will avoid any conflicts to be included in the project.” Yet in the disclosure for Miro Forestry & Timber Products in Ghana, the environmental impact statement clearly shows a history of conflict, stating “the reserve has been the subject of encroachment by illegal migrant settlers,” and “in attempting to plan its operations, NMFC [the joint venture leading this subproject] has had litigation brought against it in 2012 by a group of 123 local farmers, led by a local Pastor, claiming compensation of GHC1.68m for

destruction of farms.” While the statement further discusses the relative merits of the case, what is undeniably clear is that land conflict is present, and the conditions under which funding was approved at B.25 must be upheld.

Also related to land issues, Arbaro’s involvement in the project is for 15 years but the lease period for land taken both in Ghana and Sierra Leone is not provided. The permits for various forestry operations are valid maximum up to February 2022 and September 2021 for Ghana, lapsed in November 2020 for another parcel in Ghana, and is lapsing in December 2020 for Sierra Leone. Therefore, and based on the information available, Arbaro cannot invest in these projects for 15 years without the guarantee of continuation of lease and permits for this period.

It is also unclear why the actual Environmental Management Plan (EMP) for this project will be prepared eighteen (18) months after project implementation, and how this delay will affect the ability of the company to manage its environmental and social impacts.

Another main concern is the livelihoods of the farmers currently present in these sites. It is clear that these farmers have no legal claim to the land they occupy. However, that doesn’t change the fact that the livelihoods of many families will be negatively affected, without recourse to any compensation and unclear alternatives. Though the ESIA claims that most stakeholders agree on these evictions, a closer look at the consultations indicate that many stakeholders actually expressed concern about the farmers being impacted, and would like to reach an arrangement with them to avoid loss of livelihoods. The project presents their impact as positive because it will seek, but not assure, jobs for the communities. However, job creation is being limited by financial considerations, and the use of machinery seems to be given preference in many activities, because it is a less costly option. Additionally, the ESIA can be read as suggesting that the Forestry Commission (FC) further withdraws the rights of other developers in the region, and allocates these lands to Miro instead.

Concerning the environmental aspect of the subproject, some concerns include the impact on water sources of the use of chemicals at the different stages and while the subproject expects to establish buffers around the ground level sources of water, it seems it will be located in important sites for groundwater recharge as well, as the ESIA itself states. There seems to be significant water percolation and infiltration to the underground water sources, due to rock fractures. This brings up the question of whether chemicals used for several preparation and maintenance activities could percolate and contaminate these ground water sources, on which communities depend. Additionally, the project ESIA also acknowledges that the expected use of heavy machines would compact the soil, which, as a result, will affect soil porosity and reduce infiltration and increased runoff.

It is important to note that the results of the assessment conducted in parts of the reserves (Chirimfa and Awura) indicated that species of national conservation concern (GD-Gold, R-Red, BU-Blue, S-Scarlet, and P-Pink star species) and globally endangered or threatened species were identified in the concession areas. There is a danger that these might be affected by the establishment of these plantations due to the need to clear land for the establishment of these plantations.

During consultations, the point person at the Forestry Services Division District Office, Kumawu confirmed that there is concern in the FC about the use of a Eucalyptus hybrid as one of the species to be planted by NMFC. This is related to there being no information about that species having been made known to the FC, resulting in the FC not understanding the behaviour and characteristics of the species. These concerns are not directly addressed in the ESIA. The impact these plantations will have on wildlife is unclear. However, the ESIA does point at the fact that clearing of the vegetation is likely to limit the diet variability available to the wildlife that remains on the sites, potentially resulting in changes to fauna behaviour patterns and a decline in fauna population or permanent absence of species very sensitive to habitat disturbance.

Moreover and as is the case for the other subprojects, there is not enough information on the state of the existing forest, apart for a general comment on the high level of degradation which does not allow for a clear picture of the current vegetation cover, how much of it will need to be removed (including trees, shrubs, etc.) and the impact this might have in terms of GHG emissions. Likewise, there is no assessment of the impact of the project activities, including plantation establishment (preparation, thinning, etc.), road construction, maintenance and transport, on GHG emissions, due to these activities' impact on carbon stocks in the soil.

Additional concerns, of a more national and international level include the balance of benefits for Ghana as a whole. Despite the fact that the company will pay the communities and the FC a sum established by law for the use of the land, they can also claim incentives from the government, as they themselves state, based on the Timber Resource Management (Amendment) Act (Act 617), 2002. This Act provides for incentives and benefits applicable to investors in forestry and wildlife. NMFC can access these because it has established itself as a joint venture between the National Interest Company Ltd (NICOL), registered in Ghana, and Miro Forestry UK Ltd (MIRO).

Finally, there is concern of the GCF funding companies that are potentially evading taxes, as the fact that MIRO's registration in the Cayman Islands seems to suggest.

Links to previous analysis, comments and concerns on Arbaro Fund FP128

- [Comments on Arbaro Fund FP-128](#) by the GCF CSO network
- [‘Organizations tell the Green Climate Fund to say NO to funding requests for industrial tree plantations’](#) by World Rainforest Movement
- [Letter of concern](#) by the Climate Land Ambition and Rights Alliance
- Article [‘Why the Green Climate Fund must reject Arbaro’s plantations’](#) by Global Forest Coalition

Sincerely,

ActionAid USA

Center for International Environmental Law (CIEL)

Centre for 21st Century Issues (C21st)

Centro para la Autonomía y Desarrollo de los Pueblos Indígenas (CADPI)

Global Forest Coalition (GFC)

Heinrich Böll Stiftung Washington, DC

Heñoi, Centro de Estudios

Interamerican Association for Environmental Defense (AIDA)

Murna Foundation (MF)

Power Shift Africa (PSA)

Support for Women in Agriculture and Environment (SWAGEN)

Water Justice & Gender (WJ&G)

Women's Environment and Development Organization (WEDO)